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# Message Text

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53
ACTION NEA-12

INFO OCT-01 ISO-00 SS-15 SPC-03 L-03 H-03 NSC-10 PA-03

PRS-01 USIA-15 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 CIEP-02

LAB-06 SIL-01 OMB-01 AGR-20 DRC-01 /160 W
---------- 012490
R 041145Z OCT 73
FM AMEMBASSY COLOMBO
TO SECSTATE WASHDC 97

C O N F I D E N T I A L COLOMBO 2500

E.O. 11652: GDS
TAGS: PINT, ECON, CE
SUBJ: REACTION TO NEW ECONOMIC MEASURES

REF COLOMBO 2430

1. ATMOSPHERE FOLLOWING INITIATION OF NEW FOOD POLICY MEASURES (REFTEL) HAS BEEN ONE OF UNCERTAINTY AND TENSION BUT ALSO RELATIVE CALM. THERE WAS RUN ON FOOD SUPPLIES IN PAST FEW DAYS AS PEOPLE SOUGHT TO BUILD UP STOCKS IN ANTICIPATION HARD TIMES AHEAD. AS RESULT, STORES RAN SHORT OR OUT OF STAPLES. EMBASSY HAS VARIOUS REPORTS OF ISOLATED INCIDENTS OF VIOLENCE, SUCH AS STONING OF TRUCKS CARRYING FOOD SUPPLIES AND ATTACKS ON STORES WHICH HAVE RUN OUT OF BREAD, BUT SO FAR THESE ACTIONS APPEAR MINOR.

2. MAIN DIRECT EFFECT ON NEW MEASURES SO FAR WAS CLOSURE OF UNIVERSITY'S FIVE CAMPUSES ON OCT 2 FOR HOLIDAYS 20 DAYS EARLY BECAUSE FOOD UNAVILABLE FOR DINING HALLS. THERE HAS REPORTEDLY BEEN SOME VERY MILD STUDENT PROTEST. CLOSURE POINTS UP GSL FAILURE MAKE PROVISION IN NEW MEASURES FOR INSTITUTIONS ZCICH NORMALLY RECEIVE SUPPLIES OUTSIDE RATION SCHEME, SUCH AS HOTELS AND RESTAURANTS.

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3. ON POLITICAL FRONT, GOVERNMENT BACK-BENCHERS HELD MEETING

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ON OCT 1 TO PUT FORTH DEMAND THAT NEW MEASURES BE POSTPONED THREE MONTHS OR THAT AMOUNT OF FLOUR PROVIDED ON RATION BE INCREASED. MAITHRIPALA SENANAYAKE, MIN OF IRRIGATION." POWER AND HIGHEAYS AND LEADER OF NATIONAL STATE ASSEMBLY, PROMISED MPS THAT THEIR REQUEST WOULD BE CONSIDERED AT CABINET MEETING OCT 3. THIS REACTION FROM GOVERNMENT BENCHES SEEMS MUCH MORE MODERATE THAN OVERWHELMING OPPOSITION FROM SAME SOURCE TO UNPOPULAR BUDGET MEASURES IN 1971, WHICH CAUSED PM TO WITHDRAW THEM IMMEDIATELY.

4. OPPOSITION IN ASSEMBLY (UNITED NATIONAL PARTY (UNP), FEDERAL PARTY (FP), AND TWO INDEPENDENTS) HAS INDICATED ITS INTENTION BEGIN NON-VIOLENT CAMPAIGN AGAINST NEW MEASURES OCT 11. JOINT COMMISSION ON PLANTATION TRADE UNIONS (CEYLON WORKERS' CONGRESS AND A FEW SMALLER UNIONS) WILL HOLD MEETING OCT 4 TO CONSIDER THEIR REACTION TO NEW SITUATION.

5. COMMENT: FIRST INDICATION WHETHER GOVERNMENT WILLING TO STICK TO NEW MEASURES WILL COME FROM CABINET MEETING SCHEDULED OCT 3, RESULTS OF WHICH STILL UNKNOWN. INCREASING FLOUR SUPPLIES APPEARS TO BE EASIEST COURSE OPEN TO GSL BUT WOULD PROABLY REQUIRE ADDITIONAL COSTLY PURCHASES IN WORLD MARKET. IT SEEMS LIKELY SOME FOOD SUPPLIES ARE GOING UNDERGROUND AS PRIVATE TRADERS IN RICE, SUGAR AND BREAD DETERMINE WHAT MARKET WILL BEAR. REAL TROUBLE, IF ANY, WILL COME LATER WHEN HOARDED STOCKS ARE EXHAUSTED AND SUPPLY SITUATION BECOMES TIGHTER. COLOMBO NORTH BY-ELECTION OCT 9 (COLOMBO A-215) MAY WELL PROVE ONE GAUGE OF POLITICIANS' AND PUBLIC REACTION.
VAN HOLLEN

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